

Registered number  
4310108

The Clarkson Hill Group PLC

Report and Accounts

31 July 2006

# The Clarkson Hill Group PLC

## Annual Report for the year ended 31 July 2006

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# **The Clarkson Hill Group PLC**

## **Company Information**

### **Directors**

J M Lacey  
K T Pritchard  
R D Pritchard  
M J Robinson  
A Simcock  
W Moncrieff

### **Secretary**

G Withey

### **Auditors**

UHY Hacker Young  
168 Church Road  
Hove, East Sussex  
BN3 2DL

### **Registered office**

Alexandra House  
Alexandra Road  
Wisbech  
Cambridgeshire PE13 1HQ

### **Registered number**

4310108

## The Clarkson Hill Group PLC

### FINANCIAL YEAR ENDED 31 JULY 2006

#### HIGHLIGHTS

- Turnover increased 39% to £13.8 million (2005 £9.9 million).
- Operating efficiency improved to 21% (2005 26%).\*
- Production per adviser up to approximately £71,220 (2005 £67,128).
- Admission to AIM in March 2006

#### CHAIRMAN'S STATEMENT

##### Trading Highlights

	Year to 31 July 2006	Year to 31 July 2005
Turnover	13,889,271	9,993,673
Gross Profit	2,909,106	2,455,733
Operating Costs (excluding development costs)	(2,986,498)	(2,602,079)
Loss before Tax	(230,151)	(198,837)
Loss after Tax	(169,977)	(102,865)

##### Results

Turnover increased by approximately 39% to £13.8 million (2005 £9.9 million), as a result of both the continued recruitment drive, adviser numbers increasing to 253 (2005 234) and the work done to "add value" by way of training and development. Average adviser production has risen to £71,220 (2005 £67,128).

The Company's results have been impacted by the implementation of the accounting standard UITF abstract 40 "Revenue recognition and service contracts" which has resulted in certain revenues amounting to approximately £700,000 which previously the Company would have recognised immediately, instead, being recognised in subsequent accounting periods.

The Group continues to monitor and control its administrative costs (excluding development costs), which amounted to £2,986,498 for the year to 31 July 2006 (21% of turnover) (2005: £2,602,079 which represents approximately 26% of turnover) and the results demonstrate the benefits obtained by efficiency based developments in administration. This has been achieved without any reduction in regulatory control.

\* Operating costs as a percentage of turnover.

## **The Clarkson Hill Group PLC**

### **AIM**

Whilst the listing on AIM incurred significant costs and took up considerable management time, the directors firmly believe that this will support all elements of our growth strategy, not least of which is our continued recruitment drive.

### **Business Progress**

#### **Mortgage Business**

The Group now has 130 advisers registered to give mortgage advice; this has resulted in an increase in earnings from mortgage business by approximately 53% to £2,362,000 (2005 £1,547,000). Over the past two years the Group has advised on approximately £975 million of lending.

Clarkson Hill Gold, the Group's mortgage analysis and recording system, enables the application process to be completed online and compliance vetted online. The directors expect further growth can be expected in this area.

#### **Relocation - financial services**

During the year the Group re-tendered and won the contract to provide mortgage advice to the relocation clients of Cartus. It is anticipated by Cartus that the use of this service will be increased in the future, as they have won further client contracts and also propose to broaden the offering to client employees who are not relocating.

#### **Single Premium Business**

Single Premium business, both life and pensions, continue to grow. Investment income has risen to £7,698,000 (2005; £5,645,000). In aggregate, the total funds under advice with the Group's advisers is approximately £378 million.

This increase has yet to be significantly impacted by 'A' Day, which will, over the next 12 months, generate further significant investment by way of SIPP's, as clients come to understand and benefit from this relatively new opportunity to invest efficiently and more broadly, to generate retirement funds.

#### **Seminar Training - Inheritance Tax Planning**

The Group continues to focus on enhancing adviser skills and understanding in the area of Inheritance Tax Planning. The Group now has 103 advisers, who have completed the in-house training course in this area and further high quality business has been generated as a result of this training. Further work is anticipated in this area.

## **The Clarkson Hill Group PLC**

### **Branch Offices**

Since January 2006, the Group has opened two further offices, London (January 2006) and North Cheshire (March 2006).

London has recruited 7 advisers and written business for the seven months to July 2006 of approximately £776,000 - an average of approximately £15,800 per adviser per month.

Mike Robinson (Group MD) has taken responsibility for the recruitment and development of the London branch office and further recruitment is anticipated.

A Leeds branch has now been opened with a very experienced adviser in post to run and develop the branch.

### **Development Projects**

Since his appointment in 2005, Bill Moncrieff (Director of Strategy and Development), has focused on developing online e-commerce solutions to administrative processes, in partnership with product providers and advisers. The major benefits from this development are yet to be seen, specifically in relation to integrated processing for protection cases. However, as is demonstrated by the continued improvement in the Group's operating efficiency, the Group has benefited from improved online processes.

### **Regulatory Matters**

The board and the Group attach huge importance to the quality of advice given to its clients hence the insistence on a review by a Compliance Officer of the vast majority of advice given by the Group's advisers. The Board intend that this level of review will continue and, as technology allows, increase further.

The FSA has recently introduce a 'Treating Customers Fairly' initiative and whilst the board believe that this is the fundamental basis of client service and future company growth, further quality monitoring is being developed to ensure the Group fully meets any regulatory requirement.

### **Summary**

The board continues to focus on profitability by way of recruiting both mortgage and IFA qualified and quality advisers.

The board believes that further developments of the Group's operating systems will generate efficiencies, which will facilitate the growth of the Group and enhance the proposition that can be offered to IFAs in the market place.

Since July, the Group has continued to trade in line with the Board's expectations.

**RD Pritchard, CEO**

**07 February 2007**

## **The Clarkson Hill Group PLC**

### **Directors' Report**

The directors present their report and accounts for the year ended 31 July 2006.

#### **Principal activities and review of the business**

The group is principally engaged in providing independent financial services advice and is registered under the Financial Services & Markets Act 2000 as an FSA member.

A review of the business and key performance indicators are given in the Chief Executive Officer's Statement.

#### **Results and dividends**

The loss for the year, after taxation, is set out on page 9.

The loss for the year after taxation was £169,977 (2005: loss £102,865).

The directors do not recommend payment of a dividend.

#### **Principal risks and uncertainties**

The sector in which the group operates is very competitive and there is no certainty that the group will be able to achieve growth targets or that the market it intends to exploit can be exploited to the extent indicated by the group. Competition may come from companies which have greater development, marketing, financial and personnel resources than the group.

The regulatory environment for much of the group's activities is complex and subject to revision. There can be no assurance that the group will have the resources or ability to comply with changes in relevant regulations. If the group is unable to keep up with regulatory developments, it may be prohibited from competing for new work. Additionally, there can be no assurance that the group will not breach the regulatory requirements of its areas of business. Sanctions arising from such breaches may have a material adverse impact on the group's business.

#### **Use of financial instruments**

Our financial risk management objectives are to ensure sufficient working capital for the company. This is achieved by careful management of our cash balances. Other than this, our use of financial instruments is not material for the assessment of the assets, liabilities, financial position and profit of the company.

#### **Future developments**

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. They consider that the next year will show a further significant growth in Income.

#### **Payments of creditors**

The group's policy is to negotiate payment terms on an individual basis with suppliers and are abided with wherever possible. At 31 July 2006 there were 30 (2005: 30) trade creditor days outstanding.

**The Clarkson Hill Group PLC**  
**Directors' Report**

**Directors**

The directors who served during the year and their interests in the share capital of the company were as follows:

	<b>Ordinary shares</b>	
	<b>2p each 31-Jul-06</b>	<b>2p each 01-Aug-05 or date of appointment</b>
J M Lacey	310,000	310,000
K T Pritchard	345,650	345,650
R D Pritchard	6,285,250	6,285,250
M J Robinson	5,835,250	5,835,250
A Simcock	553,050	553,050
J Gilchrist	11,494	11,494
W Moncrieff	523,000	523,000

All of the above interests of the directors are beneficial, save for 40,000 ordinary shares of A Simcock that are beneficially owned by his wife.

The shares of MJ Robinson are held in a nominee account.

**Other Shareholdings**

On the 22nd January 2007 the following shareholders held more than 3% of the issued share capital.

Mr J Pirie	1,709,600 shares
Brewin Nominees 92 Limited	1,150,143 shares

**Directors' responsibilities**

The directors are responsible for preparing the report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **The Clarkson Hill Group PLC**

### **Directors' Report**

#### **Disclosure of information to auditors**

So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the board on 7 February 2007.

R D Pritchard  
Director

## The Clarkson Hill Group PLC

### Independent auditors' report to the shareholders of The Clarkson Hill Group PLC

We have audited the accounts of The Clarkson Hill Group PLC for the year ended 31 July 2006 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

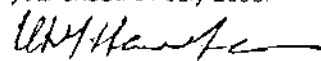
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

#### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the group and company as at 31 July 2006 and of the group loss for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the Directors' Report is consistent with the financial statements for the year ended 31 July 2006.

  
UHY Hacker Young  
Registered Auditors  
7 February 2007

168 Church Road  
Hove, East Sussex  
BN3 2DL

**The Clarkson Hill Group PLC**  
**Group Profit and Loss Account**  
**for the year ended 31 July 2006**

	Notes	2006 £	2005 £
<b>Turnover</b>	2	13,889,271	9,993,673
Cost of sales		(10,980,165)	(7,537,940)
<b>Gross profit</b>		<u>2,909,106</u>	<u>2,455,733</u>
Administrative expenses			
Development costs		(107,660)	-
Other administrative expenses		<u>(2,986,498)</u>	<u>(2,602,079)</u>
Total administrative costs		<u>(3,094,158)</u>	<u>(2,602,079)</u>
<b>Operating loss</b>	3	<u>(185,052)</u>	<u>(146,346)</u>
Interest receivable		8,376	2,322
Interest payable	7	(53,475)	(54,813)
<b>Loss on ordinary activities before taxation</b>		<u>(230,151)</u>	<u>(198,837)</u>
Tax on loss on ordinary activities	8	60,174	95,972
<b>Loss for the financial year</b>		<u><u>(169,977)</u></u>	<u><u>(102,865)</u></u>
<b>Basic loss per share</b>	4	<u><u>(0.79)p</u></u>	<u><u>(0.55)p</u></u>

**Continuing operations**

None of the company's activities were acquired or discontinued during the above two financial years.

**Statement of total recognised gains and losses**

The company has no recognised gains or losses other than the loss for the above two financial years.

**The notes on pages 13 to 27 form an integral part of these financial statements.**

**The Clarkson Hill Group PLC**  
**Balance Sheet**  
**as at 31 July 2006**

Group	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Intangible assets	11	587,683	542,400
Tangible assets	12	177,963	165,237
Investments	13	7,000	7,000
		<u>772,646</u>	<u>714,637</u>
<b>Current assets</b>			
Debtors	14	4,843,537	3,695,867
Cash at bank and in hand		546,637	16,371
		<u>5,390,174</u>	<u>3,712,238</u>
<b>Creditors: amounts falling due within one year</b>	15	(3,871,544)	(3,396,240)
<b>Net current assets</b>		<u>1,518,630</u>	<u>315,998</u>
<b>Total assets less current liabilities</b>		<u>2,291,276</u>	<u>1,030,635</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(341,213)	(29,330)
<b>Net assets</b>		<u>1,950,063</u>	<u>1,001,305</u>
<b>Capital and reserves</b>			
Called up share capital	19	482,154	393,039
Share premium	20	2,140,073	1,110,453
Merger reserve	21	(99,000)	(99,000)
Profit and loss account	22	(573,164)	(403,187)
<b>Shareholders' funds</b>	23	<u>1,950,063</u>	<u>1,001,305</u>

The financial statements were approved and authorised for issue by the Board on 7 February 2007 and signed on its behalf by

R D Pritchard & M J Robinson  
Directors

**The notes on pages 13 to 27 form an integral part of these financial statements.**

**The Clarkson Hill Group PLC**  
**Balance Sheet**  
**as at 31 July 2006**

<b>Company</b>	<b>Notes</b>	<b>£</b>	<b>2006</b> <b>£</b>	<b>£</b>	<b>2005</b> <b>£</b>
<b>Fixed assets</b>					
Intangible assets	11		75,693		-
Tangible assets	12		173,541		159,208
Investments	13		496,000		496,000
			<u>745,234</u>		<u>655,208</u>
<b>Current assets</b>					
Debtors	14	5,032,005		3,844,540	
Cash at bank and in hand		542,228		16,005	
		<u>5,574,233</u>		<u>3,860,545</u>	
<b>Creditors: amounts falling due within one year</b>	15	(3,852,146)		(3,359,381)	
<b>Net current assets</b>			<u>1,722,087</u>		<u>501,164</u>
<b>Total assets less current liabilities</b>			<u>2,467,321</u>		<u>1,156,372</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(341,213)		(20,934)
<b>Net assets</b>			<u><u>2,126,108</u></u>		<u><u>1,135,438</u></u>
<b>Capital and reserves</b>					
Called up share capital	19		482,154		393,039
Share premium	20		2,140,073		1,110,453
Profit and loss account	22		(496,119)		(368,054)
<b>Shareholders' funds</b>	23		<u><u>2,126,108</u></u>		<u><u>1,135,438</u></u>

The financial statements were approved and authorised for issue by the Board on 7 February 2007 and signed on its behalf by

R D Pritchard and M J Robinson  
Directors

**The notes on pages 13 to 27 form an integral part of these financial statements.**

**The Clarkson Hill Group PLC**  
**Group Cash Flow Statement**  
**for the year ended 31 July 2006**

	Notes	2006 £	2005 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating loss		(185,052)	(146,346)
Depreciation charges		47,408	20,387
Amortisation of goodwill		42,055	23,742
Increase in debtors		(1,239,684)	(1,278,607)
Increase in creditors		1,091,201	961,486
<b>Net cash outflow from operating activities</b>		<u>(244,072)</u>	<u>(419,338)</u>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash outflow from operating activities</b>		(244,072)	(419,338)
<b>Returns on investments and servicing of finance</b>	24	(45,099)	(52,491)
<b>Taxation</b>		151,675	-
<b>Capital expenditure</b>	24	<u>(147,472)</u>	<u>(263,256)</u>
		(284,968)	(735,085)
<b>Financing</b>	24	1,543,462	585,924
<b>Increase/(decrease) in cash</b>		<u>1,258,494</u>	<u>(149,161)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase/(decrease) in cash in the period</b>		1,258,494	(149,161)
(Increase)/decrease in debt and lease financing		(424,727)	95,968
New finance leases		-	(36,770)
<b>Change in net debt</b>	25	<u>833,767</u>	<u>(89,963)</u>
<b>Net debt at 1 August</b>		<u>(860,890)</u>	<u>(770,927)</u>
<b>Net debt at 31 July</b>		<u>(27,123)</u>	<u>(860,890)</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2006**

**1 Accounting policies**

***Accounting convention***

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

***Depreciation***

Depreciation is provided on all tangible fixed assets and other intangible assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures, fittings and equipment	25% reducing balance
----------------------------------	----------------------

Renewal commission and databases are amortised by annual equal instalments over their expected useful life of five years.

***Basis of consolidation***

The group financial statements consolidate the accounts of The Clarkson Hill Group Plc and all its subsidiary undertakings made up to 31 July in each year under the merger method of accounting, except for Advised Mortgages Limited, which has been accounted for under the acquisition method of accounting.

Turnover and profits arising on trading between group companies are excluded.

***Deferred taxation***

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse, and discounted to reflect the time value of money using rates based on the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with similar maturity dates.

***Leasing and hire purchase commitments***

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2006**

***Pensions***

The pension costs charged in the financial statements represent the contribution payable by the group during the year.

***Goodwill***

Goodwill may arise on the acquisition of subsidiary and associated undertakings and interests in joint ventures. It represents the excess of cost over fair value of the group share of net assets acquired. In accordance with Financial Reporting Standard FRS 10 such goodwill is capitalised as an intangible asset and amortised by equal instalments against profit over its expected life. The expected life of purchased goodwill is 20 years.

***Investments***

Fixed asset investments are stated at cost less provision for diminution in value.

***Income Recognition***

Income is recognised on all business when a commitment from the client is received to proceed with the transaction and the group has a right to consideration. Income represents the value of the work done in the year and is stated net of appropriate provisions for clawback and wastage. Income from the periodic renewal of contracts is recognised on receipt.

**2 Turnover**

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the UK.

**3 Operating loss**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
This is stated after charging:		
Development costs	107,660	-
Depreciation of owned fixed assets	37,239	17,858
Depreciation of assets held under finance leases and hire purchase contracts	10,169	2,529
Amortisation of goodwill	42,055	23,742
Operating lease rentals - land & buildings	248,688	191,942
Auditors' remuneration		
Audit fee	26,702	20,000
Other services	10,926	2,468
	<u>10,926</u>	<u>2,468</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2006**

**4 Loss per share**

The loss per share is calculated on the loss attributable to ordinary shareholders of £169,977 (2005: £102,865) divided by £21,558,510 (2005: 18,745,173) being the weighted average number of ordinary shares in issue during the year.

During 2006 and 2005, the share warrants and options disclosed in note 19 were antidilutive and accordingly there is no dilution of loss per share. However, they could potentially dilute basic earnings per share in the future

**5 Directors' emoluments**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Emoluments	484,834	408,425
Company contributions to defined contribution pension scheme	2,773	1,521
	<u>487,607</u>	<u>409,946</u>
Highest paid director:		
Emoluments	134,802	84,075
Company contributions to defined contribution pension scheme	1,141	1,153
	<u>135,943</u>	<u>85,228</u>

**Number of directors in company pension schemes:**

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
Defined contribution pension scheme	<u>3</u>	<u>2</u>

**6 Staff costs**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,229,943	1,159,164
Social security costs	104,191	104,897
Other pension costs	20,864	20,133
	<u>1,354,998</u>	<u>1,284,194</u>

**Average number of employees during the year**

	<b>Number</b>	<b>Number</b>
Administration	62	64
Management	6	6
	<u>68</u>	<u>70</u>

**7 Interest payable**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	51,060	54,413
Finance charges payable under finance leases and hire purchase contracts	2,415	400
	<u>53,475</u>	<u>54,813</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2006**

<b>8 Taxation</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in period</b>		
Current tax:		
UK corporation tax on profits of the period	-	513
Adjustments in respect of previous periods	(513)	-
	<u>(513)</u>	<u>513</u>
Deferred tax:		
Origination and reversal of timing differences	(59,318)	(49,945)
Increase in discount	(343)	(46,540)
	<u>(59,661)</u>	<u>(96,485)</u>
Tax on loss on ordinary activities	<u>(60,174)</u>	<u>(95,972)</u>

**Factors affecting tax charge for period**

The tax assessed for the year is less than the standard rate of corporation tax in the UK (30 per cent). The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	<u>(230,151)</u>	<u>(198,837)</u>
Standard rate of corporation tax in the UK	30%	30%
	<b>£</b>	<b>£</b>
loss on ordinary activities multiplied by the standard rate of corporation tax	(69,045)	(59,651)
Effects of:		
Expenses not deductible for tax purposes	47,602	1,760
Capital allowances for period in excess of depreciation	(3,265)	(6,677)
Utilisation of tax losses	(92,657)	(164)
Adjustments to tax charge in respect of previous periods	(513)	-
Marginal/lower rate relief	-	(1,129)
Losses carried forward	117,365	66,374
Current tax charge for period	<u>(513)</u>	<u>513</u>

The deferred tax credit recognised in the year to 31 July 2006 represents the expected utilisation of tax losses at 31 July 2006 against future taxable profits in accordance with the provisions of FRS 19. The deferred tax assets recognised is £236,532 (2005; £176,871) and is shown in other debtors.

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
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**9 Pension Costs**

The company operates a defined contribution pension scheme in respect of the employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £20,864 (2005: £20,133).

**10 Loss for the year attributable to shareholders**

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of The Clarkson Hill Group Plc has not been presented with the financial statements.

The results after taxation of the parent undertaking for the year ended 31st July 2006 showed a loss of £128,065 (31 July 2005 loss - £70,971).

**The Clarkson Hill Group PLC**  
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**11 Intangible fixed assets**

Group	Goodwill £	Other Intangible £	Total £
<b>Cost</b>			
At 1 August 2005	608,194	-	608,194
Additions	-	87,338	87,338
At 31 July 2006	<u>608,194</u>	<u>87,338</u>	<u>695,532</u>
<b>Amortisation</b>			
At 1 August 2005	65,794	-	65,794
Provided during the year	30,410	11,645	42,055
At 31 July 2006	<u>96,204</u>	<u>11,645</u>	<u>107,849</u>
<b>Net book value</b>			
At 31 July 2006	<u>511,990</u>	<u>75,693</u>	<u>587,683</u>
At 31 July 2005	<u>542,400</u>	<u>-</u>	<u>542,400</u>
Company		Other Intangible £	Total £
<b>Cost</b>			
At 1 August 2005		-	-
Additions		87,338	87,338
At 31 July 2006		<u>87,338</u>	<u>87,338</u>
<b>Amortisation</b>			
At 1 August 2005		-	-
Provided during the year		11,645	11,645
At 31 July 2006		<u>11,645</u>	<u>11,645</u>
<b>Net book value</b>			
At 31 July 2006		<u>75,693</u>	<u>75,693</u>
At 31 July 2005		<u>-</u>	<u>-</u>

Other intangible assets relate to the acquisition of the renewals commission and database of Rickards Financial Services.

Goodwill relates to the acquisition of the subsidiaries and is being written off in equal annual instalments over its estimated economic life of 20 years.

**The Clarkson Hill Group PLC**  
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**for the year ended 31 July 2006**

**12 Tangible fixed assets**

	<b>Fixtures, Fittings and Equipment £</b>	<b>Total £</b>
<b>GROUP</b>		
<b>Cost</b>		
At 1 August 2005	242,804	242,804
Additions	60,134	60,134
At 31 July 2006	<u>302,938</u>	<u>302,938</u>
<b>Depreciation</b>		
At 1 August 2005	77,567	77,567
Charge for the year	47,408	47,408
At 31 July 2006	<u>124,975</u>	<u>124,975</u>
<b>Net book value</b>		
At 31 July 2006	<u>177,963</u>	<u>177,963</u>
At 31 July 2005	<u>165,237</u>	<u>165,237</u>
<b>Company</b>		
<b>Cost</b>		
At 1 August 2005	200,321	200,321
Additions	60,134	60,134
At 31 July 2006	<u>260,455</u>	<u>260,455</u>
<b>Depreciation</b>		
At 1 August 2005	41,113	41,113
Charge for the year	45,801	45,801
At 31 July 2006	<u>86,914</u>	<u>86,914</u>
<b>Net book value</b>		
At 31 July 2006	<u>173,541</u>	<u>173,541</u>
At 31 July 2005	<u>159,208</u>	<u>159,208</u>
<b>Group and Company</b>		
	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Net book value of Fixtures, Fittings and Equipment included above held under finance leases and hire purchase contracts	<u>30,506</u>	<u>40,675</u>

**The Clarkson Hill Group PLC**  
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**13 Investments**

<b>Group and company</b>	<b>Other investments</b>
	<b>£</b>
<b>Cost</b>	
At 1 August 2005	7,000
At 31 July 2006	<u>7,000</u>

<b>Other investments</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Listed investments	<u>7,000</u>	<u>7,000</u>
Valuation:		
Listed investments - market value	<u>8,300</u>	<u>8,300</u>

The above listed investment is in Arsenal Holdings plc.

<b>Company</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Subsidiary undertakings	489,000	489,000
Listed investments	<u>7,000</u>	<u>7,000</u>
	<u>496,000</u>	<u>496,000</u>

The company holds 20% or more of the share capital of the following companies:

<b>Company</b>	<b>Principal Activity</b>	<b>Country of incorporation or operation</b>	<b>Holding</b>	<b>Proportion Held</b>
FPR Group Limited	Insurance Brokers, Consultants & Financial Advisers	England and Wales	Ordinary	100%
*Barwick Associates Limited	Insurance Brokers, Consultants & Financial Advisers	England and Wales	Ordinary	100%
Advised Mortgages Limited	Mortgage Advice	Scotland	Ordinary	100%
The Clarkson Hill Mortgage Company Limited	Dormant	England and Wales	Ordinary	100%

\*Held by FPR Group Limited

The results of all the subsidiaries are included in the group financial statements.

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
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<b>14 Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Trade debtors	3,959,025	3,064,123
Other debtors	672,295	501,314
Prepayments and accrued income	212,217	130,430
	<u>4,843,537</u>	<u>3,695,867</u>
<b>Company</b>		
Trade debtors	3,882,669	3,014,028
Amounts owed by group undertakings and undertakings in which the company has a participating interest	272,324	210,268
Other debtors	664,795	489,814
Prepayments and accrued income	212,217	130,430
	<u>5,032,005</u>	<u>3,844,540</u>

<b>15 Creditors: amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	221,094	836,478
Obligations under finance lease and hire purchase contracts	11,453	11,453
Trade creditors	3,424,725	2,413,621
Corporation tax	-	513
Other taxes and social security costs	72,323	35,441
Other creditors	135,081	91,866
Accruals and deferred income	6,868	6,868
	<u>3,871,544</u>	<u>3,396,240</u>

The bank overdraft and loan are secured by a debenture.

<b>Creditors: amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
<b>Company</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	221,094	821,622
Obligations under finance lease and hire purchase contracts	11,453	11,453
Trade creditors	3,421,725	2,403,319
Other taxes and social security costs	72,323	35,441
Other creditors	125,551	87,546
	<u>3,852,146</u>	<u>3,359,381</u>

The bank overdraft and loan are secured by a debenture.

**The Clarkson Hill Group PLC**  
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<b>16 Creditors: amounts falling due after one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group and Company</b>		
Other loan	-	8,396
Bank loans	331,947	-
Obligations under finance lease and hire purchase contracts	9,266	20,934
	<u>341,213</u>	<u>29,330</u>

The bank loan is secured by a debenture.

<b>17 Loans</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group and Company</b>		
Analysis of maturity of debt:		
Within one year or on demand	221,094	103,945
Between one and two years	125,000	-
Between two and five years	206,947	-
	<u>553,041</u>	<u>103,945</u>

<b>18 Obligations under finance leases and hire purchase contracts</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group and Company</b>		
Amounts payable:		
Within one year	11,453	11,453
Within two to five years	9,266	20,934
	<u>20,719</u>	<u>32,387</u>

**The Clarkson Hill Group PLC**  
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**for the year ended 31 July 2006**

<b>19 Share capital</b>			<b>2006</b>	<b>2005</b>
			<b>£</b>	<b>£</b>
Authorised: 50,000,000 Ordinary shares of 2p each			<u>1,000,000</u>	<u>1,000,000</u>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>No</b>	<b>No</b>	<b>£</b>	<b>£</b>
Allotted, called up and fully paid: 50,000,000 Ordinary shares of 2p each	24,107,677	19,651,962	<u>482,154</u>	<u>393,039</u>

In March 2006, 4,305,715 ordinary shares of 2p each were issued for cash at 35p each, raising £1,064,734 net after share issue costs of £442,266. The share premium in this respect has been credited to the share premium account.

In November 2005, 150,000 ordinary shares of 2p each were issued at 36p each as part of the cost of the acquisition of the renewals commission and database of Rickards' Financial Services. The share premium in this respect has been credited to the share premium account.

**Share warrants**

At 31 July 2006, there were 337,320 (31 July 2005: 337,320) 28p share warrants in existence. The share warrants are exercisable at a price of 28p on a one for one basis for the ordinary shares of 2p. The share warrants expire in October 2007.

**Share options**

The company adopted on 31 March 2003 The Clarkson Hill Group PLC IFA Share Option Scheme. This gives its IFAs the opportunity of being granted share options if they meet their given performance targets.

Options will be granted at a subscription price per ordinary share which is at least the greater of:  
 (i) the average middle market quotation of an ordinary share on the day immediately preceding the grant, and  
 (ii) 28 pence.

The number of ordinary shares over which options may be granted is limited. The aggregate number of ordinary shares which may be utilised under all option schemes adopted or operated by the company shall not exceed 10% of the issued ordinary share capital of the company within any 10 year period, 5% within any 5 year period or 3% within any 3 year period.

As we are still in the qualifying period during which the performance targets can be reached no options have been earned or issued as yet.

**The Clarkson Hill Group PLC**  
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<b>20 Share premium</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group and company</b>		
At 1 August 2005	1,110,453	504,636
Shares issued	1,471,886	668,311
Expenses of issue	(442,266)	(62,494)
	<u>2,140,073</u>	<u>1,110,453</u>
At 31 July 2006	<u>2,140,073</u>	<u>1,110,453</u>
<b>21 Merger Reserve</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At 1 August 2005	(99,000)	(99,000)
At 31 July 2006	<u>(99,000)</u>	<u>(99,000)</u>
<b>22 Profit and loss account</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At 1 August 2005	(403,187)	(300,322)
Loss for the financial year	(169,977)	(102,865)
	<u>(573,164)</u>	<u>(403,187)</u>
At 31 July 2006	<u>(573,164)</u>	<u>(403,187)</u>
	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Company</b>		
At 1 August 2005	(368,054)	(297,083)
Loss for the financial year	(128,065)	(70,971)
	<u>(496,119)</u>	<u>(368,054)</u>
At 31 July 2006	<u>(496,119)</u>	<u>(368,054)</u>
<b>23 Reconciliation of movement in shareholders' funds</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At 1 August 2005	1,001,305	459,048
Loss for the financial year	(169,977)	(102,865)
Shares issued	1,118,735	645,122
	<u>1,950,063</u>	<u>1,001,305</u>
At 31 July 2006	<u>1,950,063</u>	<u>1,001,305</u>
<b>Company</b>		
At 1 August 2005	1,135,438	561,287
Loss for the financial year	(128,065)	(70,971)
Shares issued	1,118,735	645,122
	<u>2,126,108</u>	<u>1,135,438</u>
At 31 July 2006	<u>2,126,108</u>	<u>1,135,438</u>

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<b>24 Gross cash flows</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	8,376	2,322
Interest paid	(51,060)	(54,813)
Interest element of finance lease rental payments	(2,415)	-
	<u>(45,099)</u>	<u>(52,491)</u>
<b>Capital expenditure</b>		
Payments to acquire intangible fixed assets	(87,338)	-
Payments to acquire tangible fixed assets	(60,134)	(76,950)
Payments to acquire investments	-	(189,000)
Net cash acquired with group interests	-	2,694
	<u>(147,472)</u>	<u>(263,256)</u>
<b>Financing</b>		
Issue of share capital	1,561,001	707,616
Expenses paid in connection with share issue	(442,266)	(62,494)
New loans raised	-	36,770
Loan repayments	436,395	(91,585)
Capital element of finance lease rental payments	(11,668)	(4,383)
	<u>1,543,462</u>	<u>585,924</u>

<b>25 Analysis of changes in net debt</b>	<b>At 1 Aug 2005</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>At 31 Jul 2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank & in hand	16,371	530,266		546,637
Overdrafts	(728,228)	728,228		-
		<u>1,258,494</u>		
Debt due within 1 year	(108,250)	(112,844)		(221,094)
Debt due after 1 year	(8,396)	(323,551)		(331,947)
Finance leases	(32,387)	11,668		(20,719)
		<u>(424,727)</u>		
<b>Total</b>	<u>(860,890)</u>	<u>833,767</u>	<u>-</u>	<u>(27,123)</u>

**The Clarkson Hill Group PLC**  
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**26 Other financial commitments**

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2006 £	Land and buildings 2005 £
Operating leases which expire:		
within one year	5,053	48,089
within two to five years	103,699	53,204
in over five years	57,650	27,000
	<u>166,402</u>	<u>128,293</u>

**27 Transactions with directors**

During the year the following transactions involved directors,  
 Mr A Simcock was paid £18,000 in respect of commission arising on the share offer, this was on normal terms and at the same rate as available to other introducers. This cost has been debited to the share premium account.

**The Clarkson Hill Group PLC**  
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**28 Related party Transactions**

The company has taken advantage of the exemption conferred by FRS 8 from the requirement to disclose intra group transactions.

Included in creditors is a joint directors' current account of £320 (2005: £320). The relevant directors are M J Robinson and R D Pritchard. In addition, there is a loan from R D Pritchard of £6,493 (2005:£20,000), due to expenses incurred not yet reimbursed. This loan is interest free.

The directors, M J Robinson and R D Pritchard own 25% each of the issued share capital of Mandrake Associates Limited. During the year the group had the following transactions with this company.

At 31 July 2006, Mandrake Associates Limited owed Barwick Associates Limited £75,856 (2005: £40,095) and is shown in trade debtors in note 14 to the accounts.

At 31 July 2006, Mandrake Associates Limited owed The Clarkson Hill Group plc £428,263 (2005:£312,943). The increase in the amount due from Mandrake Associates of £115,320 is due to the support being given to them in respect of their legal fees. The loan is interest free and is shown in note 14 to the accounts as other debtors.

On the 18 March 2005 the company entered into a loan agreement with Mandrake Associates Ltd whereby it made available to Mandrake a loan to be repaid without interest on or before 17 March 2006. Failing repayment on that date Mandrake has agreed to transfer to the company the ongoing renewal and trail income of Mandrake. The board has recently agreed to extend the loan to April 2007 when it expects repayment to be made in full.

The Clarkson Hill compliance officer is dual registered with Mandrake Associates and assists with their admin. Clarkson Hill receive as compensation for this IT support from Mandrake Associates as they have an identical back office system. These have a neutral effect on both companies' costs.

The company rents premises from a joint partnership between R Pritchard (director), M Robinson (director) and J Pirie (a notifiable shareholder). During the year it paid rent to them of £33,498. This was at an open market rental rate.